

Message Text

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10

ACTION EA-14

INFO OCT-01 EUR-25 ADP-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15

USIA-15 COME-00 EB-11 LAB-06 SIL-01 AID-20 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 OMB-01 RSR-01 /171 W
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R 130400Z AUG 73

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 7003

INFO AMEMBASSY CANBERRA

CINCPAC

USMISSIN OECD PARIS

AMCONSUL AUCKLAND

UNCLAS WELLINGTON 2112

E.O. 11652: N/A

TAGS: PINT, ELAB, NZ

SUBJECT: GOVERNMENT INTRODUCES WAGES AND PRICE MEASURES

CINCPAC FOR POLAD

REF: A. WELLINGTON A-149; B. WELLINGTON 1539

1. SUMMARY. GNZ AUGUST 10 ORDERED 8.5 PERCENT GENERAL WAGE INCREASE, 30 DAY PRICE FREEZE, AND DECLARED MORATORIUM ON FURTHER WAGE INCREASES UNTIL JUNE 30, 1974. ACTIONS FOLLOWS SEVERAL WEEKS INCREASING INDUSTRIAL UNREST AS VARIOUS UNIONS ATTEMPTING REESTABLISH WAGE RELATIVITIES FOLLOWING JUNE ARBITRATOR'S DECISION GIVING 13.1 CENTS INCREASE TO AUCKLAND BOILERMAKERS. END SUMMARY.

2. FOLLOWING A WEEK OF INTENSIVE NEGOTIATIONS, ACTING PM WATT OUTLINED AUGUST 10 GNZ ORDER ON WAGES AND PRICES EFFECTIVE NEXT DAY. ALL WAGE EARNERS WILL RECEIVE
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IMMEDIATE 8.5 PERCENT INCREASE UP TO MAXIMUM OF \$5.80

PER WEEK. INCREASES RECEIVED SINCE FEBRUARY WILL BE DEDUCTED FROM PRESENT INCREASE.

3. CIVIL SERVICE EMPLOYEES WILL RECEIVE SCHEDULED 8.1 PERCENT INCREASE WHICH WAS TO BRING THEIR SALARIES IN LINE WITH PRIVATE SECTOR. CIVIL SERVICE WILL ALSO RECEIVE ADDITIONAL 6.2 PERCENT INSTEAD OF 8.5 GIVEN TO OTHER WORKERS. ROYAL COMMISSION REPORT CALLING FOR \$3,000 PER ANNUM INCREASE FOR PARLIAMENTARIANS WILL PRESUMABLY BE SHELVED AND MP'S WILL HAVE TO CONTENT THEMSELVES WITH EXTRA \$5.80 PER WEEK.

4. THIRTY DAY PRICE FREEZE AFFECTS ALL ITEMS EXCEPT FRESH AND FROZEN MEATS.

5. WHILE THE GNZ INTENDS TO ALLOW NO FURTHER WAGE INCREASES UNTIL JUNE 30, 1974, IT IS ESTABLISHING A SPECIAL ARBITRATION COURT TO HEAR HARDSHIP CASES. COURT'S OBJECTIVES WILL BE TO "REMOVE ANOMOLIES" THAT MAY HAVE ARISEN. IN ADDITION, GNZ WILL REVIEW COST OF LIVING (COL) INCREASE AS OF DECEMBER 31 WITH INTENTION OF GRANTING PAY INCREASE FOR AMOUNT COL HAS RISEN ABOVE FOUR PERCENT.

6. GENERAL REACTION TO GOVERNMENT'S MEASURES HAS BEEN FAVORABLE ALTHOUGH OPPOSITION HAS BEEN QUICK TO TAKE LABOUR TO TASK FOR FAILURE TO REACT SUFFICIENTLY RAPIDLY TO PROBLEMS OF INFLATION AND INDUSTRIAL UNREST AND FOR FAILURE TO TAKE INTO ACCOUNT PROBLEMS OF THOSE LIVING ON FIXED INCOMES. EXPECTED GRUMBLING ALSO HEARD FROM EMPLOYERS WHO, EVEN AFTER PRICE FREEZE, WILL BE ABLE PASS ON ONLY FIVE PERCENT OF WAGE INCREASE TO INCREASED PRICES.

7. WATT'S ANNOUNCEMENT FOLLOWED WEEK OF INTENSIVE GNZ/LABOR/EMPLOYER NEGOTIATIONS. FOL PRESIDENT TOM SKINNER HAS STATED HE IS SATISFIED WITH MEASURES TAKEN AND THAT LABOR WILLING FOREGO WAGE ADJUSTMENTS FOR THE NEXT TEN MONTHS PROVIDED GOVERNMENT STABILIZES PRICES AND PROFITS. NEW ZEALAND MANUFACTURERS FEDERATION, UNCLASSIFIED

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WHOSE MEMBERSHIP EMPLOYS ABOUT 50 PERCENT OF WORKERS, ACTIVELY PARTICIPATED IN NEGOTIATIONS AND FEELS MANUFACTURERS HAVE COME OUT WELL OF A DANGEROUS SITUATION. PRESIDENT OF FEDERATION TOLD EMBASSY OFFICER MANUFACTURERS ARE REASONABLY SATISFIED AND BELIEVE THEY CAN LIVE WITH THIS ORDER OF WAGE INCREASES.

8. COMMENT: FACT THAT GNZ FELT COMPELLED TO ANNOUNCE

PROGRAM WHILE PM KIRK OUT OF COUNTRY ATTENDING COMMONWEALTH
CHIEFS OF STATE MEETING IS INDICATION OF
SERIOUSNESS WITH WHICH GOVERNMENT VIEWED PROBLEM.
TRADE UNION ATTEMPTS TO OBTAIN, AS A MATTER OF RIGHT,
ALL OR PART OF THE 13.1 CENTS AWARDED AUCKLAND BOILERMAKERS
IN JUNE (SEE REPAIR) WERE BEGINNING TO SNOWBALL
WITH INDUSTRIAL UNREST AND STOPPAGES INCREASING. ORDER
GRANTING 8.5 PERCENT INCREASE BUT DEDUCTING ANY INCREASES
RECEIVED SINCE FEBRUARY EFFECTIVELY REESTABLISHES
NEAR SACRED WAGE RELATIVITIES WHILE FREEZE ON
FURTHER INCREASES UNTIL NEXT JUNE PROMISES EMPLOYERS
REASONABLE PERIOD OF WAGE STABILITY. THIS BREATHING
SPACE ALSO GIVES GNZ TIME TO WORK ON INFLATION
PROBLEM.
WOOD

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